

cc J. Vesker  
A Duguid

SECRET

6

From the Private Secretary



Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

3 June 1981

Tim Lankester Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
LONDON SW1

1. *Clive* *mu*  
2. *p.a.* *3m*

*Dear Tim,*

*12*  
*3/6*

CIVIL SERVICE PAY: MEETING WITH THE PRIME MINISTER

The Lord President has two points on your letter to me of 2 June.

The proposal for a cash lump sum, to be met from within the 6% cash limit, would involve paying to every civil servant an equal cash sum which in total would cost the same as a  $\frac{1}{2}\%$  increase in pay for the whole of the Civil Service. The total cost would therefore be some £30m, including industrials who would have to get the same treatment in their forthcoming settlement. Since the lump sum would not be part of the basic pay rates it would not count for pension purposes and equally would not enhance the starting base for the next Civil Service pay settlement in 1982. In the Lord President's view it would be possible to squeeze out this extra  $\frac{1}{2}\%$  or so from within the existing cash limit but the offer and the time of any payment would be conditional on this being confirmed, eg at the end of the year when the trend of spending within the cash limit was clearly established.

The Lord President has also asked me to say that his recollection of the views of Cabinet last week do not accord with that which you note as being stated in the first point which was made in the discussion (at the bottom of page 2 of your letter).

I am copying this to Richard Dykes (Employment), John Wiggins (Treasury) and David Wright (Cabinet Office). It should be treated in the same way as your letter was treated on a strictly 'need to know' basis.

*Yours ever,*

*Edward Charles*

*for* J BUCKLEY

SECRET